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MONTHLY PROJECTIONS
JULY 1984

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GROWTH GRADUALLY SLOWING AS CONSUMPTION BEGINS SLIPPING BELOW PRODUCTION

Consumers have decided to rest following a year of aggressive purchases. Several consumer sectors obviously could not sustain their rates of gain. In the four quarters ending this spring, real apparel sales had increased 14.5%. Food purchases, aided by significant increases in takeout food patrons, showed a second quarter spurt of 8% at annual rates after adjustment for inflation. Even gasoline sales were up more than 4% from the previous year despite further improvement in the mileage performance of the existing auto fleets. Because of very modest price changes (the Consumer Price Index increased only 3.7% in the second quarter), consumers were able to maintain this spending without substantially dipping into their savings. While the savings rate fell from 6.1% in the first quarter to 6.0% in the spring, a reduction in farm income following the disbursement of PIK subsidies probably was responsible. Indeed, the consumer remains capable of sustaining a strong spending path. However, some consumer needs probably have been satiated. While this may not be the case for automobiles, a 47-day supply of inventory apparently is too lean to provide the variety necessary to meet consumer needs. As a result, sales may be deferred until the next model year. In furniture and appliances, a gradual decline in housing activity is beginning to place some strains upon their sales (new home buyers or purchasers of existing homes from other owners usually purchase more furniture about six months after the housing activity than at any other time). Unless prices intensify sharply, reasonably robust consumer support for the economy should reappear in the fall.

Producers, however, are not waiting for the fall to provide for consumer needs. Much of the production activity is concentrated in business equipment and defense equipment, as the industrial production index for July showed increases of 1.2% and 1.3% respectively in those categories. Further strong increases are anticipated in those sectors for the remainder of 1984. However, production of consumer goods expanded by 0.6% in July despite evidence that consumer outlays after adjustment for inflation showed little expansion for the second consecutive month. These inventories of consumer goods have not yet

reached distribution channels, as business inventories showed only a negligible increase in June. Manufacturing inventories were up 1% but inventories at the wholesale and retail levels were down. However, the inventory figures are being unduly influenced by the reduction of automobile inventories. Excluding that one sector, a modest inventory problem may begin to develop. This will have virtually no effect upon third quarter rates of economic growth, but it could have some impact upon fourth quarter activity.

If a modest inventory overhang does develop in the fourth quarter and strike disruptions reduce production in the automobile industry by 50% for six weeks and in the coal industry by 40% for six weeks, as our most recent forecast anticipates, economic activity could slow sharply during the fall. Of course, such supply disruptions would not provide as much relief in the credit markets as an actual reduction in desired spending. Also, a modest rebound in activity should be anticipated following termination of the strike disruptions. Indeed, no evidence of recession-inducing excesses appear on the horizon at the present time, with the possible exception of rental properties. In July, for example, rental units constituted 44% of the additions to the housing stock. Yet, households continued to favor single-family units by nearly a 2-1 ratio. At some point, this current mix of rental construction will be inappropriate for the housing tastes of the American household.

Although many people have wondered whether a sharp break in commodity prices during July constituted the beginning of deflationary pressures, most of the price indices are beginning to reaccelerate following a Spring of minimal growth. As expected, meat prices began firming significantly in July and should rise further throughout the summer. More significantly, wages are beginning to accelerate in the service sector of the economy. This will soon impart price pressures upon the service sectors, with the possible exception of housing. Moreover, the collapse of construction prices that developed in the Spring and reached a climax in July appears to be over. No rapid price recovery is anticipated, but materials in construction are now expected to gradually rise in price for the remainder of this year. In short, claims of deflation have arrived just as the normal cyclical intensifying price pressures also have begun to develop. The July collapse in commodity markets appears to be related to an unanticipated surge in the value of the dollar at that time. Evidence that the dollar is beginning to struggle at these rarefied values relative to some important trading partners already is beginning to reverse some of those especially weak commodity prices. Unfortunately, the deflationary claims have little validity.

Of course, the double-digit watchers also have no justifiable basis for their projections. Wages are beginning to intensify, but the hourly earnings index is only growing at an annual rate of 5% in recent months. Productivity gains continue to develop at a 3% annual rate even as the economic recovery matures into expansion. Slower productivity gains should be anticipated ahead even as wage pressures begin to increase. However, substantial foreign competition will prevent all these increased costs from being converted into increased prices. Profit margins will be under downward pressures. Only an unanticipated surge in wage demands or a total collapse of productivity gains could even approach the inflation estimates of some monetary economists.

The surprising upsurge in equity values this summer really was not out of line with our estimates of equity values once the surprising rally in the bond market was taken into account. Between May and early August bond prices

increased by almost 12%. No change in the outlook for earnings would be sufficient to justify the magnitude of this summer's rally. At the same time, only a movement to the vicinity of 1200 is justified by current events. Moreover, if interest rates begin climbing again, price weakness on the stock market from this point could be anticipated. Therefore, the relevant issues are: What will be happening to corporate profits in the quarters ahead; and what are the prospects for interest rates in the months ahead?

Corporate profits are expected to rise modestly, but a slowing in the growth of economic activity along with an acceleration in wage costs will limit the degree to which profits can expand. Indeed, operating profits in the second quarter increased only in line with the growth of nominal GNP despite real economic activity that was growing almost twice normal. Usually, such a rapid growth in economic activity would lead to profit growth two to three times as rapid as income growth. Moreover, any acceleration in interest rates would further increase financing costs relative to income. In the second quarter interest payments grew 1.5 times as rapidly as income in the corporate sector. Therefore, the prospects for profit growth ahead are not very strong. If a recession does not develop, as we currently believe, sufficient profit growth should be available to justify a slight increase in equity values at current interest rates.

However, it appears that interest rates will be trending upward in the fall following a summer of substantial improvement. The source of the interest rate improvement during the summer appears to be more closely related to a temporary flattening in borrowings by the corporate sector than to a dramatic shift in inflationary expectations. As cost pressures intensify during the fall and investment programs remain robust, corporate borrowings once again are expected to increase. At that point, rise in corporate borrowings should coincide with modestly increasing government borrowing and a household sector that once again will be reducing its rate of savings following a summer of savings advances. Thus, conditions will reappear to exert upward pressures upon interest rates into the spring of 1985. Short-term interest rates are still expected to rise by more than 1.5 percentage points from current levels and long-term interest rates should challenge the cyclical highs that they reached in May. On the other hand, it appears that the unusually dramatic growth in loan demand early in 1984 was the result of unusual shifts in timing of inventory and fixed investment decisions during this cycle. As a result, the interest rate peak has already been reached and the natural increase in interest rates that normally develops as a cycle matures will only bring long term rates back to those highs established during the Spring.

Quarterly Profile of GNP

	1984-II	1984-III	1984-IV	1985-I	1985-II	1985-III
Real	7.5	5.8	2.3	2.4	2.8	3.0
Price	3.2	3.8	5.5	5.5	5.3	5.3
Nominal	10.9	9.8	8.0	8.8	8.4	8.5

Monthly Statistical Highlights
for July 1984

Personal Income +0.8%; Savings Rate 6.4%; Personal Consumption +0.4%; Construction expenditures +0.2%; Business inventories +0.9%; Orders for durable goods +1.3%; Orders for nondefense capital goods +3.5%; CPI +0.4%; Consumption deflator +0.2%; Leading Indicators -0.2%; Real GNP +6.7%;

Monthly Statistical Highlights
for August 1984

Payroll employment +170,000; Index of Hours Worked +0.3%; Household employment +225,000; Civilian Unemployment Rate 7.3%; Personal Income +0.8%; Savings Rate 6.4%; Personal Consumption +0.8%; Retail Sales +0.7%; Auto Sales 10.5 million; Housing starts -3.7%; Housing Permits -1.2%; Construction expenditures -0.3%; Business inventories +0.9%; Orders for durable goods +1.7%; Orders for nondefense capital goods +0.6%; Industrial production +0.5%; CPI +0.3%; PPI +0.2%; Consumption deflator +0.4%; Leading Indicators +0.5%; Real GNP 4.4%; M1 5.9%; M2 8.8%.

Commentary

Despite a significant increase in the unemployment rate, payroll employment showed substantial growth in July. The index of hours worked increased 0.3% following a 0.6% gain in June. In the last few months, household unemployment measures fell sharply while insured unemployment rates declined very modestly. Apparently, the July survey re-established a reasonable relationship between these two series of unemployment. In effect, the unemployment rate should not have dropped in June, although the rebound in July probably also was slightly overstated. Of greater significance than the unemployment rate was the acceleration in the hourly earnings index to an annual rate of 6% as a result of significant wage gains in the finance and service sectors. While this surge may only be a one-month rebound, the acceleration in wage gains in the service sector appears to be based upon a tightening of labor market conditions in that area. The insured unemployment rate nationwide now stands at 2.6%. A rate of approximately 1.5% has proved to be in the vicinity of full employment during past labor market cycles.

Since April, employers have been substituting people for hours. Thus, the growth in labor input has not been as dramatic as the growth in employment. This explains why the productivity gains appear to be surprisingly strong for the second quarter of 1984. Indeed, unit labor costs in the private economy increased less than 1% in the second quarter. With wage compensation accelerating toward 6% in the third quarter and productivity probably slowing to less than second quarter rates, unit labor costs probably will be growing nearly 4% at annual rates during the summer months.

Personal Income and Outlays - Personal income is receiving strong support from wage gains, where the hourly earnings are beginning to accelerate, and from property income. The decline in interest rates has had only a marginal impact upon these interest earnings, which are largely based upon short-term interest rates. Nevertheless, even short-term rates no longer are rising sharply. For that reason, earnings from property income will not be growing more rapidly than personal income during the summer months. This normally would cause a slowing in the growth of personal income. Moreover, declining farm prices should have some adverse impact upon farm earnings. Nevertheless, accelerating wage costs

probably will offset these diminishing forces, at least until the fourth quarter.

Outlays definitely have slowed sharply in June and July following a surge in earlier months. Appliances showed an unsustainable rate of increase in June, which led to a significant decline in that nonauto component of retail sales during July. Automobiles are showing some sales weakness as a result of automobile availability. These sales should rebound late in August when more cars begin to flow from the assembly plants that had been closed for remodeling of downsize intermediate cars. Unfortunately, a strike is anticipated after the contracts expire on September 14. This will have an impact upon production and consumption in September and October. Weakness in nondurable sales is related to significant declines in clothing purchases during July and continuing declines in gasoline prices. Both of these weaknesses are expected to be temporary. On the other hand, food prices are beginning to rise. This increased inflation for nondurable goods will begin to dominate consumption for that sector in the months ahead.

Construction - Housing continues to show downward movement as a result of weakness in the single-family starts. Although interest rates probably began declining for fixed mortgages by July, investor wariness in purchasing currently available adjustable rate mortgages has narrowed the gap in effective interest rates between that instrument and the fixed mortgage. Indeed, effective mortgage rates probably are rising at the present time even as fixed rates are declining. This should not continue for too much longer. As a result, stability is expected in single-family activity after the next few months. On the other hand, multi-family activity continues to be at apparently unsustainable rates. In July, single-family starts were only 55% of total housing starts, even though nearly two-thirds of all households eventually occupy single-family units. The problem is not a shortage of single-family starts, but a developing plethora of multi-family units.

Permits finally started to decline significantly relative to starts. The more normal 200,000 unit gap between the starts and permit figures reappeared in July. Permits are not expected to fall dramatically further, but some weakness in multi-family units probably will be reflected in reduced permit activity in 1985.

Construction for private nonresidential activity slowed in June following an unsustainable surge in earlier months. More moderate rates of expansion now are expected in that category for the remainder of the year. Similarly, a surge in miscellaneous public buildings led to stronger public construction performance in June than had been anticipated. As highways are expected to continue contributing to public construction, more modest rates of expansion should develop for public construction in the months ahead. At the same time, residential construction should continue the downward direction that resumed in June. Overall construction activity is expected to show little movement through the fall before rising on a seasonally adjusted basis in the early part of 1985. One of the favorable factors stimulating nonresidential construction has been the decline in construction costs. Apparently, some projects have been accelerated because costs are currently more favorable than they are expected to be in the future. In June, the construction cost index dropped a full percentage point. Further declines of that magnitude are unlikely, although wood products continued to show price weakness through July.

Business Activity - Business inventories showed no growth in June as wholesale and retail inventories contracted even as manufacturing inventories expanded by 1%. To be sure, the distributors had excess inventory that needed to be trimmed. However, the flattening of business inventories in June is at odds with the acceleration in industrial production and the deceleration in consumer spending. An upward revision in the inventory figures, therefore, may materialize. Of course, auto inventories are being depleted, and this sector may be exerting undue influence upon the total movement of business inventories at the present time.

Shipments of nondefense capital goods boomed in June even as orders fell. Certainly, shipments cannot continue to grow as rapidly in the summer months as they did in the spring. Orders also are expected to grow more slowly, although a significant rebound from the June slowing is expected in July.

Industrial production in July continued to be led by strong increases in the defense and business equipment areas. These areas expanded 1.3% and 1.2% respectively. Materials showed a 1.1% gain while consumer activity expanded 0.6% with the aid of autos being assembled at 7.9 million units. Acceleration in auto assembly should occur in August, while the other sectors should continue to show similar rates of gain to those registered in July. For that reason, another significant expansion in industrial production is anticipated in that month. Of course, assumptions about automobile and coal mine strikes will have adverse influence upon industrial production during the Fall.

Prices - So far, inflation has been confined to services and the food sector in July. Energy continues to exert downward pressures upon the inflation rate. However, the value of the dollar may have reached a peak in August. If so, further downward pressures upon energy prices will be more difficult to develop. Also, other commodity prices probably will no longer be declining. Thus, some gradual but noticeable acceleration in the commodity components of the price indices should begin developing in the next few months. In the meantime, the GNP deflator, consistent with quarterly estimates of that statistic, is not consistent with the monthly movement of prices in June. Probably, the GNP estimates failed to recognize the sharp decline in construction prices during June. Thus, the GNP deflator may be revised downward for the second quarter as a result of a significant downward revision in the June deflator. This could exert a downward influence upon price changes for the third quarter as well, although the revision would have little impact upon price movements beyond that time.

Miscellaneous - It now appears that the leading indicators will fall for a second consecutive month in July. Contributing to the decline are unemployment claims, vendors performance, sensitive prices, stock prices, and construction permits. Orders are expected to rebound while the money stock and workweeks are showing little change. Certainly, two consecutive measures of weakness cannot be totally ignored. However, the sensitive prices appear to be too heavily dependent upon prices of wood products. As a result, it is really capturing the movement of construction prices at the present time, which indeed are falling quite sharply. Moreover, the stock market rallied dramatically in August. Thus, the leading indicators probably will not show a third consecutive monthly decline.

Trade balances have been surprisingly lower than expected in recent months as a result of a reduced flow of goods from Great Britain and West Germany.

These reduced flows reflect the impact of strike activity in those countries and are not expected to be indicative of a more substantial long-term trend. Thus, the trade balances should once again deteriorate when these trade flows no longer are being impacted by strikes.

Financial Markets

A substantial slowing of money growth in July appears to be related to a significant slowing in short-term credit demand during that months. Apparently, the Federal Reserve continues to pursue a federal funds target. As a result, this reduced demand for money led to a reduced quantity of money. The Federal Reserve now can pursue a lower federal funds target and remain consistent with its money growth targets, at least until short-term credit demand reappears. This should develop late in the third quarter. Unfortunately, concerns about the banking community's health continue to reappear on the short-term markets. This has the effect of widening the gap between commercial paper and CD rates. If the Federal Reserve persists in the current federal funds target, which appears to be between 11.0 and 11.75%, this widening gap between commercial paper and CDs may force an increase in the prime rate by the fall. However, politics dictate that no movement occur prior to the November Presidential election. Despite no significant change in short-term interest rates, the moderation in money demand appears to have encouraged a substantial rally in the bond market. Indeed, interest rates may have reached their highs for this cycle late in May. However, those highs will be tested several times early in 1985 as corporate credit demand reintensifies.

In fact, several factors appear to have contributed to the bond market rally during the summer. First, corporations moderated their inventory investments early in the quarter. At the same time, they appear to have marginally improved their cash flow. Fixed investment also may have been growing at a slightly reduced rate in the summer as compared to the spring. All of these forces led to little change in commercial loans during the summer months. However, inventories should be built up after the strike activity has ended in the fall. Fixed investment is expected to remain strong while corporate cash flows are expected to be impacted by accelerating wage costs. Thus, commercial loans should once again begin rising by the latter part of the fall. The household sector sharply increased its savings rates early in the summer even as mortgage borrowings started to diminish. Although households sharply increased their borrowings for nonmortgage purposes, the net effect of the household sector was to increase its contributions to the credit markets. Moreover, a shift in foreign investor attractiveness to American financial assets, partially as a result of repealing the 30% withholding rate, temporarily increased foreign purchases of American financial assets. With the corporate, household, and foreign sectors all increasing their net contributions to our credit markets, interest rates had to fall. The issue is whether this swing in net savings by sector can persist.

Although the household sector could continue to increase net savings until automobiles become available following a probable strike, it is more likely that savings rates are peaking for this year. At any rate, less household support for credit markets than currently exists will develop before year-end. Corporations almost certainly will reintensify their inventory holdings late in the year and continue to borrow heavily in the early months of 1985. If the shift in foreign investor sentiment was caused by a change in regulation, this

effect will exert no additional favorable influence following the increased attractiveness registered during the summer. Thus, interest rates are expected to resume their upward path late in 1984 and early in 1985. However, the magnitude of the increase in interest rates is not expected to be dramatic.

Equity Markets - Although the rally in the bond market was not anticipated, the rally in equity values directly followed from the 12% decline in interest rates from their May peaks. Operating profits are expected to continue rising through 1985, but the speed of profit advance should fall slightly short of the growth in GNP. Normally, such a growth in profits is not sufficient to increase equity values. According to our interest rate outlook, the value of that earnings stream will be increasingly discounted again in the fall and winter months. Therefore, stock market values should not rise significantly from current levels. On the other hand, the summer rally was appropriate and no significant decline from current levels now appears likely. As some analysts have argued, the market responded to changes in interest rates and is receiving its direction from the bond market. This is a far cry from conditions in 1982 when the bond market rally was more sustained because of cyclical developments while operating profits were expected to rise dramatically. Certainly, claims that the stock market will exceed 1300 before the end of this year on a path toward 1500 by the middle of 1985 must be appropriately discounted.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	92347	92846	110.4	110.9	103892	103892	7.8	7.8	158.2	158.5
March	92490	93058	109.8	110.9	104140	104140	7.8	7.8	158.7	159.1
April	92773	93449	110.4	112.0	104503	104402	7.7	7.8	159.5	159.9
May	92885	93768	110.7	112.0	104667	105288	7.6	7.5	160.1	159.6
June	92996	94076	110.9	112.6	104832	105748	7.6	7.1	160.8	160.3
July	93127	94378	111.1	112.9	104949	105395	7.6	7.5	161.4	161.1
August	93362	94548*	111.3	113.2*	105172	105620*	7.5	7.3*	161.9	162.0*
September	93598	94753	111.5	113.4	105394	105721	7.5	7.2	162.5	162.9
October	93742	94970	111.7	113.6	105547	106018	7.4	7.0	163.1	163.7
November	93865	95171	111.9	113.8	105678	106288	7.4	6.8	163.8	164.5
December	94015	95368	112.0	114.0	105839	106580	7.4	6.7	164.6	165.4
January 1985	94226	95535	112.3	114.2	106091	106799	7.4	6.7	165.2	166.0
February	94389	95699	112.5	114.3	106311	107002	7.4	6.6	166.0	166.8
March	94543	95896	112.8	114.5	106537	107302	7.3	6.5	166.8	167.7
April	94698	96064	113.0	114.7	106703	107409	7.3	6.5	167.5	168.5
May	94843	96228	113.1	114.8	106873	107633	7.2	6.5	168.3	169.3
June	95002	96312	113.3	114.9	107048	107700	7.2	6.6	169.3	170.2
July	95176	96477	113.5	115.0	107219	108007	7.1	6.6	170.1	171.1

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	2.923	2.924	1.757	1.755	152.6	163.6	2.501	2.505	2.349	2.341
March	2.949	2.941	1.764	1.765	188.4	172.4	2.526	2.520	2.337	2.347
April	2.955	2.969	1.777	1.785	157.5	162.3	2.534	2.545	2.376	2.383
May	2.965	2.981	1.785	1.789	145.8	142.9	2.539	2.554	2.393	2.411
June	2.974	3.005	1.797	1.802	136.1	156.8	2.545	2.573	2.409	2.417
July	2.999	3.029*	1.806	1.816*	137.3	166.4*	2.564	2.594*	2.427	2.428*
August	3.025	3.053	1.816	1.831	143.7	167.8	2.584	2.614	2.440	2.446
September	3.051	3.074	1.825	1.844	149.2	170.0	2.605	2.632	2.455	2.462
October	3.068	3.094	1.835	1.857	148.3	166.0	2.619	2.647	2.471	2.481
November	3.085	3.112	1.846	1.869	142.6	158.9	2.632	2.661	2.489	2.502
December	3.101	3.136	1.857	1.886	139.3	159.7	2.644	2.680	2.507	2.520
January 1985	3.122	3.152	1.871	1.897	137.1	160.2	2.664	2.694	2.527	2.534
February	3.149	3.171	1.883	1.907	143.7	161.4	2.686	2.709	2.543	2.548
March	3.174	3.195	1.898	1.921	154.5	165.7	2.708	2.731	2.555	2.565
April	3.198	3.218	1.909	1.934	156.6	168.4	2.730	2.750	2.573	2.582
May	3.217	3.238	1.919	1.944	152.7	164.4	2.745	2.767	2.592	2.603
June	3.240	3.260	1.932	1.957	154.5	166.3	2.764	2.785	2.611	2.619
July	3.262	3.282	1.943	1.969	149.9	165.5	2.782	2.803	2.632	2.638

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	2278.6	2267.6	314.3	308.8	842.2	837.6	1122.0	1121.2	1047.2	1040.4
March	2268.3	2273.2	294.2	306.4	841.0	835.6	1133.1	1131.3	1039.3	1039.1
April	2305.4	2307.7	311.0	309.7	848.8	855.3	1145.6	1142.7	1052.8	1053.2
May	2321.5	2334.0	312.1	324.0	854.5	859.8	1154.9	1150.2	1055.1	1065.4
June	2336.9	2338.4	313.0	322.5	860.0	858.3	1163.9	1157.6	1057.2	1066.5*
July	2354.2	2348.4*	315.6	322.0*	866.0	861.0*	1172.6	1165.4*	1060.6	1069.0
August	2366.8	2366.1	317.6	324.9	868.1	865.4	1181.1	1175.8	1061.9	1073.1
September	2379.8	2381.0	319.7	328.5	870.8	869.3	1189.3	1183.2	1062.4	1075.8
October	2396.3	2399.1	321.6	329.4	877.3	877.7	1197.4	1192.0	1065.8	1079.2
November	2413.2	2419.3	323.4	335.4	883.2	883.2	1206.6	1200.7	1069.5	1083.5
December	2429.7	2436.7	325.3	340.7	888.9	886.1	1215.5	1209.9	1071.6	1086.9
January 1985	2449.0	2449.6	329.4	340.2	895.0	891.1	1224.6	1218.3	1075.5	1087.8
February	2464.7	2462.6	332.1	339.8	898.5	895.9	1234.1	1226.9	1079.4	1088.9
March	2476.4	2479.6	330.0	342.2	902.9	901.0	1243.5	1236.4	1079.5	1091.9
April	2493.7	2495.2	332.6	342.9	908.4	906.5	1252.7	1245.8	1082.3	1093.9
May	2511.6	2515.6	334.7	347.0	915.6	914.0	1261.3	1254.6	1085.5	1098.4
June	2529.8	2530.9	338.4	346.4	921.5	920.6	1269.9	1263.9	1088.7	1099.9
July	2550.3	2548.0	341.9	348.2	928.6	927.1	1279.8	1272.7	1092.6	1102.6

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	105.98	105.48	14.62	14.93	10.6	10.6	69.31	68.57	22.05	21.98
March	103.40	103.87	14.82	14.80	10.0	10.0	68.15	68.57	20.43	20.51
April	105.69	107.51	14.69	15.37	10.3	10.1	69.50	70.07	21.50	22.07
May	106.27	108.24	14.63	15.49	10.4	11.0	69.97	70.33	21.67	22.42
June	106.87	108.78	14.60	15.50	10.5	11.0	70.42	70.42	21.85	22.86
July	107.67	107.81*	14.73	15.44*	10.6	10.6	70.89	69.99*	22.05	22.37*
August	108.06	108.52	14.81	15.62	10.6	10.5*	71.05	70.48	22.20	22.42
September	108.54	109.86	14.89	15.75	10.5	10.8	71.29	71.10	22.36	23.01
October	109.36	110.75	14.96	15.93	10.6	10.6	71.86	71.89	22.54	22.93
November	110.06	112.02	15.04	16.11	10.6	10.8	72.35	72.44	22.67	23.47
December	110.76	112.98	15.12	16.28	10.6	11.1	72.81	72.68	22.80	24.02
January 1985	111.72	113.33	15.20	16.35	10.8	11.0	73.26	73.09	23.26	23.89
February	112.32	113.67	15.28	16.47	10.9	10.9	73.55	73.48	23.49	23.72
March	112.44	114.38	15.36	16.53	10.7	10.9	73.91	73.90	23.17	23.95
April	113.17	114.91	15.45	16.69	10.7	10.8	74.36	74.35	23.36	23.87
May	114.00	116.02	15.54	16.72	10.7	11.0	74.95	74.97	23.51	24.33
June	114.92	116.49	15.63	16.84	10.8	10.9	75.43	75.51	23.86	24.14
July	115.89	117.23	15.75	16.90	10.9	10.9	76.01	76.04	24.13	24.29

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	263.8	264.1	101.83	102.35	26.84	27.02	24.05	24.16
March	265.4	267.4	103.45	105.18	25.88	26.86	24.26	25.24
April	267.9	270.4	100.86	98.32	25.52	25.89	24.32	24.80
May	269.2	274.6	101.25	102.26	25.65	28.96	24.55	25.89
June	270.6	277.3	102.67	99.83	26.02	28.08	24.78	27.04
July	272.8	279.8*	103.15	101.13*	26.21	29.06*	25.10	27.48*
August	274.9	282.1	103.18	102.84	26.39	29.23	25.27	27.62
September	276.6	284.5	105.68	103.63	26.86	29.08	25.43	27.83
October	278.6	286.3	106.12	101.92	27.15	29.40	25.65	28.01
November	281.1	288.5	107.28	103.07	27.49	29.73	25.86	28.23
December	283.3	291.7	105.63	105.84	27.18	30.04	26.12	28.42
January 1985	286.1	293.7	105.49	107.13	27.26	30.26	26.41	28.65
February	288.5	296.1	106.26	108.02	27.55	30.22	26.56	28.91
March	290.4	298.7	107.15	107.85	27.65	30.43	26.79	29.13
April	292.7	301.1	109.24	108.15	27.92	30.52	26.95	29.36
May	295.6	303.8	108.55	107.72	27.86	30.38	27.15	29.51
June	298.0	306.3	109.03	108.85	27.99	30.94	27.36	29.80
July	301.3	308.8	109.65	109.56	28.16	31.27	27.53	30.19

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	527.0	527.2	5.82	5.85	159.9	160.0	80.7	80.7
March	531.1	532.9	5.95	5.73	161.1	160.8	81.2	80.9
April	536.9	541.1	6.01	5.99	161.2	162.2	81.1	81.5
May	541.2	545.9	6.05	5.75	161.5	162.7	81.2	81.5
June	546.4	546.1	6.09	5.92	161.8	164.1	81.2	82.0
July	552.7	550.8*	6.27	6.05*	162.2	165.6	81.3	82.5
August	557.8	556.0	6.32	6.13	162.7	166.4*	81.4	82.7*
September	562.1	560.7	6.38	6.26	163.3	167.1	81.5	82.9
October	567.5	564.1	6.49	6.34	163.6	166.9	81.6	82.6
November	573.2	567.7	6.63	6.45	163.9	167.6	81.6	82.8
December	578.0	573.5	6.78	6.53	164.3	169.0	81.7	83.2
January 1985	584.6	579.1	6.87	6.62	165.0	169.8	81.9	83.4
February	589.4	584.3	6.96	6.73	165.7	170.3	82.1	83.5
March	593.8	588.8	7.05	6.85	166.4	171.0	82.3	83.7
April	599.2	593.9	7.24	6.98	166.9	171.7	82.5	83.8
May	604.7	599.2	7.36	7.10	167.3	172.2	82.6	83.9
June	610.0	604.5	7.49	7.19	167.5	172.6	82.6	83.9
July	617.3	609.3	7.55	7.25	167.7	173.0	82.7	83.9

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	2.197	2.231	1.360	1.447	1.941	1.946	295.0	300.4	184.0	188.2
March	1.738	1.662	1.173	1.071	1.700	1.727	288.3	309.7	179.1	192.6
April	1.908	2.015	1.205	1.196	1.715	1.758	292.8	305.3	181.4	189.2
May	1.766	1.794	1.148	1.151	1.616	1.745	291.4	311.3	180.2	194.3
June	1.705	1.886	1.102	1.068	1.586	1.776	290.0	310.6	178.9	195.9
July	1.758	1.761	1.115	0.982	1.595	1.562	293.3	311.3*	180.4	196.7*
August	1.706	1.696*	1.078	0.967*	1.562	1.543*	296.1	310.3	181.5	195.6
September	1.666	1.735	1.037	0.963	1.483	1.542	298.5	310.3	182.5	194.5
October	1.659	1.761	1.039	0.985	1.497	1.574	298.8	308.9	182.2	192.8
November	1.675	1.773	1.045	0.969	1.516	1.601	299.0	310.5	182.0	192.9
December	1.669	1.704	1.043	0.943	1.522	1.584	299.4	313.1	181.8	193.6
January 1985	1.666	1.640	1.026	0.996	1.516	1.563	301.6	313.9	182.3	193.2
February	1.649	1.631	1.001	0.991	1.486	1.498	303.9	313.8	182.9	192.3
March	1.632	1.625	0.977	0.976	1.485	1.492	306.3	313.8	183.4	191.3
April	1.622	1.606	0.992	0.953	1.467	1.473	307.4	315.0	183.4	191.3
May	1.589	1.627	0.969	0.965	1.426	1.482	308.5	316.8	183.3	191.4
June	1.578	1.605	0.953	0.962	1.417	1.465	309.8	319.0	183.2	192.1
July	1.510	1.579	0.895	0.981	1.374	1.448	310.6	320.8	182.9	192.4

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	114.3	110.7	52.2	52.3	128.5	137.4
March	111.6	113.9	51.5	54.8	125.2	141.1
April	113.2	117.0	53.0	54.6	126.6	133.7
May	113.5	121.6	53.4	55.5	124.5	134.2
June	113.7	122.4	53.9	57.0	122.4	131.2
July	115.8	123.0*	54.7	57.6*	122.8	130.7*
August	117.7	123.9	55.5	58.0	122.9	128.4
September	119.7	124.9	56.3	58.5	122.5	126.9
October	120.6	126.0	56.6	58.9	121.6	124.0
November	121.4	127.1	56.9	59.3	120.7	124.1
December	122.3	128.4	57.2	59.8	119.9	124.9
January 1985	123.8	129.7	57.5	60.1	120.3	124.1
February	125.3	131.2	57.8	60.3	120.8	122.3
March	126.7	132.5	58.0	60.9	121.6	120.4
April	127.9	134.2	58.6	61.3	120.9	119.5
May	129.0	136.0	59.1	61.7	120.3	119.1
June	130.1	137.8	59.7	62.2	120.0	119.0
July	131.3	139.2	60.5	62.6	118.8	119.0

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	306.9	306.9	290.2	290.2	320.4	320.6	220.24	220.21
March	307.4	307.6	291.5	291.6	321.9	321.9	221.08	221.04
April	308.6	309.0	292.3	291.6	322.9	322.5	222.23	221.69
May	309.9	309.6	293.1	291.5	324.0	323.3	223.29	222.25
June	311.2	310.1	294.0	291.4	325.1	323.9	224.35	222.98
July	312.7	310.9*	295.7	292.3	326.5	324.0	225.33	223.48
August	314.2	311.7	297.3	292.9*	327.9	324.8*	226.19	224.35
September	315.6	312.4	299.0	293.0	329.2	324.9	227.23	225.32
October	317.1	313.8	300.4	294.9	331.3	327.4	228.14	226.41
November	318.7	315.2	301.7	295.8	332.4	328.6	228.95	227.45
December	320.3	316.5	303.0	296.7	333.6	329.7	230.03	228.38
January 1985	321.7	317.9	304.5	297.6	335.0	330.6	231.53	229.83
February	323.1	319.3	306.0	298.9	336.4	332.1	232.21	230.87
March	324.6	320.6	307.5	300.1	338.1	333.3	233.28	231.92
April	325.9	322.0	308.6	301.5	339.3	334.7	234.38	232.95
May	327.2	323.3	309.7	302.8	340.4	336.5	235.40	233.96
June	328.5	324.8	310.9	304.1	341.5	337.9	236.45	235.00
July	330.2	326.2	312.6	305.5	343.2	339.5	237.53	236.01

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	217.6	217.9	180.5	179.2	217.2	217.0	231.2	232.6	160.3	159.6
March	218.3	218.8	179.4	179.0	217.6	217.7	231.8	233.7	161.0	160.8
April	219.0	219.1	180.9	179.1	218.1	217.2	233.0	234.9	161.4	161.3
May	220.0	219.1	181.6	179.6	218.9	216.6	234.3	235.7	161.7	160.2
June	221.0	219.3*	182.2	179.5*	219.7	216.0*	235.6	236.5*	162.1	158.6
July	222.0	219.7	182.7	179.4	220.9	215.9	236.5	237.5	162.6	158.3*
August	222.9	220.5	183.2	179.9	222.0	216.5	237.4	238.6	163.1	158.6
September	224.0	221.3	183.8	180.4	223.3	217.4	238.6	239.6	163.6	159.5
October	224.8	222.3	184.4	181.1	223.9	218.3	239.7	240.7	164.0	160.2
November	225.6	223.3	185.0	182.3	224.5	219.2	240.7	241.8	164.3	161.0
December	226.7	224.2	185.6	183.0	225.2	220.2	241.8	242.8	164.7	161.7
January 1985	227.7	225.2	186.3	183.6	226.0	221.1	242.9	243.9	165.4	162.5
February	228.3	226.2	187.0	184.1	226.9	222.0	244.0	245.0	166.2	163.2
March	229.4	227.1	187.7	184.7	227.8	222.9	245.1	246.1	167.0	164.0
April	230.4	228.1	188.3	185.3	228.8	223.8	246.3	247.3	167.6	164.7
May	231.4	229.0	188.8	186.0	229.7	224.7	247.5	248.4	168.3	165.5
June	232.4	230.1	189.4	186.6	230.6	225.7	248.8	249.6	169.1	166.1
July	233.4	231.1	190.1	187.4	231.5	226.5	249.9	250.8	169.8	166.7

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	-8.93	-8.93	165.9	167.0	3549	3565	1611	1619	8.6	11.0
March	-9.10	-9.04	165.0	167.5	3544	3563	1603	1612	12.4	16.8
April	-8.96	-10.95	165.3	168.3	3583	3618	1612	1632	13.9	7.9
May	-8.86	-7.62	166.0	168.9	3601	3643	1613	1639	15.7	9.3
June	-8.75	-7.72	167.1	167.4	3618	3679	1613	1650	17.5	8.0
July	-8.89	-7.82*	167.8	166.9*	3651	3707	1620	1659	19.6	11.4
August	-9.21	-8.84	168.5	167.8	3673	3736	1624	1665	20.5	10.5
September	-9.53	-9.15	169.2	169.1	3702	3755	1629	1667	21.4	8.8
October	-9.40	-9.07	169.0	168.5	3726	3775	1633	1667	21.7	11.7
November	-9.45	-9.62	168.7	169.2	3747	3801	1637	1671	21.4	13.1
December	-9.48	-10.03	169.2	170.4	3774	3839	1641	1681	20.2	12.5
January 1985	-9.46	-9.86	169.8	171.9	3813	3862	1647	1680	19.9	14.2
February	-9.41	-9.71	170.3	172.2	3837	3885	1652	1683	19.5	15.3
March	-9.36	-9.94	170.7	171.8	3866	3911	1657	1686	19.1	15.1
April	-9.53	-10.15	170.5	172.0	3894	3937	1661	1690	18.3	15.8
May	-9.62	-9.62	171.1	171.5	3920	3967	1665	1696	18.0	16.2
June	-9.70	-9.50	171.5	172.2	3950	3991	1671	1698	18.2	16.5
July	-9.86	-9.37	171.2	172.6	3972	4016	1672	1702	19.8	17.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	205.2	205.2	532.9	532.9	2222.1	2222.5	9.59	9.59	9.18	9.18
March	207.8	207.6	535.2	535.2	2228.5	2229.9	9.91	9.91	9.66	9.66
April	209.0	208.4	535.0	535.3	2241.6	2242.2	10.42	10.29	9.73	9.84
May	210.1	210.0	539.3	541.0	2253.9	2259.6	10.61	10.32	9.78	10.31
June	211.2	212.9	543.6	546.2	2268.0	2273.0	10.56	11.06	9.82	10.51
July	212.4	212.5	546.3	545.7	2286.1	2279.8	10.62	11.23	9.85	10.52
August	213.6	214.1	549.6	548.3	2306.7	2295.8	10.59	11.42	9.83	10.36
September	214.8	215.2	552.9	552.1	2325.8	2314.9	10.77	11.52	10.11	10.51
October	215.9	216.3	555.7	554.9	2340.6	2330.3	10.85	11.54	10.21	10.46
November	217.0	217.5	558.6	558.4	2359.9	2349.8	11.07	11.65	10.29	10.69
December	218.1	218.6	562.1	560.8	2368.7	2365.9	11.17	12.03	10.33	11.08
January 1985	219.4	219.8	565.4	564.3	2390.5	2384.4	11.05	12.15	10.15	11.26
February	220.7	221.0	569.0	568.1	2414.5	2404.2	11.09	11.96	9.97	11.03
March	222.0	222.4	572.3	571.7	2439.7	2423.3	11.14	11.88	10.09	10.82
April	223.2	223.5	575.6	574.7	2459.2	2443.3	11.35	11.89	10.19	10.76
May	224.4	224.7	579.0	578.3	2470.9	2461.5	11.43	12.36	10.25	11.15
June	225.6	226.0	582.1	581.9	2482.5	2479.6	11.66	12.15	10.40	11.19
July	226.8	227.3	584.3	584.9	2501.8	2496.4	11.92	11.84	10.74	10.92

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
February 1984	12.08	12.08	9.04	9.64	9.32	9.32	9.54	9.54	11.00	11.00
March	12.57	12.57	9.41	9.94	9.82	9.83	10.08	10.08	11.21	11.21
April	12.65	12.81	9.49	10.19	10.26	10.18	10.46	10.41	12.00	11.93
May	12.73	13.28	9.57	10.49	10.33	10.65	10.55	11.11	12.00	12.39
June	12.80	13.55	9.66	10.67	10.35	10.98	10.58	11.34	12.00	12.60
July	13.09	13.44	9.95	10.28	10.43	11.19	10.63	11.56	12.00	13.00
August	13.22	12.88	10.11	9.73	10.58	11.10	10.70	11.67	12.00	13.00
September	12.84	13.03	9.76	9.90	10.75	11.26	10.89	11.64	12.48	13.00
October	13.03	13.16	9.97	10.03	10.92	11.27	11.04	11.73	12.50	13.00
November	13.20	13.31	10.16	10.18	11.12	11.44	11.26	11.86	12.50	13.16
December	13.04	13.48	10.02	10.38	11.20	11.95	11.38	12.27	12.62	13.50
January 1985	12.88	13.62	9.85	10.56	11.08	12.07	11.29	12.44	13.00	13.83
February	12.96	13.56	9.97	10.44	11.02	12.02	11.24	12.53	13.00	14.00
March	13.04	13.42	10.07	10.27	11.05	11.73	11.32	12.36	13.00	14.00
April	13.20	13.33	10.23	10.16	11.26	11.72	11.56	12.25	13.00	14.00
May	13.26	13.53	10.34	10.48	11.38	12.07	11.69	12.48	13.00	14.00
June	13.36	13.30	10.49	10.09	11.49	12.04	11.74	12.36	13.27	14.00
July	13.51	13.15	10.72	9.86	11.88	11.76	12.19	12.19	13.50	14.00

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